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DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE



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City & Town is published by the Massachusetts Department of Revenue's Division of Local Services (DLS) and is designed to address matters of interest to local officials.

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Elevating Municipal Partnerships Update and New Conference Announcement

Lieutenant Governor Karyn Polito



Happy September! I hope everyone is enjoying the back-to-school season.

I'd like to update you on some of the projects and initiatives that I have been working on as of late, specifically our Administration's Elevating Municipal Partnerships initiative.

I continue to be dedicated to serving as the voice of municipal government in our Administration. As a result, I've traveled the state to visit and engage with as many of our state's municipal leaders as I can. After tallying up my recent visits, I've made it to 102 municipalities to meet with local officials, 26 of which were to attend the formal signings of Community Compacts. And we have many more on the way!

The Community Compact program continues to flourish and allows me to

spend meaningful time in cities and towns learning about the issues these communities face firsthand. In addition to the 26 signed compacts, the Division of Local Services (DLS) has received more than 100 applications, collectively totaling over 220 individual best practices. In the coming weeks, I plan visit these municipalities in order to develop these partnerships with our state's local leaders and help us better support your communities. The Governor always reminds me that we are working for 351 cities and towns, and it is my honor to deliver on that pledge to all of them.

As part of the Elevating Municipal Partnerships initiative, our Administration has partnered with the Massachusetts Association of Regional Planning Agencies (MARPA) to develop and host a municipal conference in November. Scheduled for November 12th at the College of the Holy Cross in Worcester, this new conference will bring together key administration officials and municipal leaders from all over the state.

The conference will feature a panel of state officials speaking about all of the technical assistance and grant opportunities available to municipalities, followed by six workshops focusing on best practices across various subject matters. This will be a great opportunity for you to meet these members of our Administration if you haven't already done so and to further develop and foster relationships if you have. This conference is being offered free of charge, but advance registration will be required and an online registration link will be available soon. In cooperation with MARPA, DLS will be sending additional details shortly. I look forward to seeing you there and giving the keynote address on November 12th!

As always, I would like to thank you for all that you do to make your community the best it can be. I know you're all busy with the tax rate setting season, perhaps a special town meeting, and the myriad other day-to-day demands of local government. For all that you do, I offer my best wishes to you, your family, and your entire community!

FY15 Tax Rate Recaps in Review

Tony Rassias - Bureau of Accounts Deputy Director and Matt Andre - Bureau of Accounts Field Representative

This article explains and summarizes data reported on Page 2 of the FY2014 and FY2015 Tax Rate Recap forms for 350 of the 351 cities and towns in Massachusetts.

The Tax Rate Recap (or Recap) is submitted, with supporting documentation, by cities, towns and special purpose districts to the Bureau of Accounts to certify annual tax rates for real and personal property tax classes. The Recap provides mainly summary information regarding (1) local appropriations and other amounts required to be raised by taxation, if not otherwise provided, and (2) local funding sources to meet these local appropriations and other amounts raised.

Local Appropriations and Other Amounts to be Raised

A.) Appropriations

Appropriations are voted by the local legislative body from particular funding sources, which are reported on the Recap in these categories:

- Raise and appropriate
- Free cash (not including free cash voted specifically to reduce the tax rate)
- Other available funds
- Offset receipts
- Enterprise funds
- Community preservation fund

All new appropriations are reported since the last tax rate certification. Appropriations from the current fiscal year's tax levy, however, can only be voted before the current fiscal year's tax rate has been certified by the Bureau. After certification and through the end of the fiscal year, the city or town may vote to appropriate from free cash, from other available funds or from enterprise fund retained earnings.

B.) Other Amounts to be Raised

These amounts are required by law to be provided for by the city or town and do not require appropriation by the entity's legislative body. Unless another funding source was specified by vote, these amounts must be raised by taxation and are categorized and reported on the Recap as:

- Amounts certified for tax title purposes
- Debt and interest charges
- Final court judgments
- Deficits in overlay, revenue, offset receipts and/or snow and ice
- Cherry Sheet offsets
- Authorized deferral of teachers' pay (requires special legislation)
- Other required amounts

C.) Cherry Sheet Assessments (charges)

The Cherry Sheet assessment is the official notification from the Commissioner of Revenue of the upcoming fiscal year's state, county and certain district assessments to cities, towns, and regional school districts and does not require appropriation to be raised by taxation. The five largest assessed costs for FY2015 cities and towns (not including regional school districts) were:

- Charter School Sending Tuition, \$430.2 million
- MBTA, \$160.1 million
- School Choice Sending Tuition, \$58.9 million
- Retired Teachers' Health Insurance, \$38.1 million

- Regional Transit, \$31.9 million

D.) Overlay

The Allowance for Abatements and Exemptions (overlay) is an annual amount determined by the board of assessors to cover anticipated abatements and exemptions of committed real and personal property taxes for that fiscal year. Similar to other amounts to be raised and Cherry Sheet assessments, the overlay does not require appropriation to be raised by taxation on the Recap.

E.) The Results

Municipal Appropriations and Other Amounts to be Raised				
	FY2014	FY2015	\$ Inc.	% Inc.
Appropriations	\$22,983,166,383	\$23,821,953,039	\$838,786,656	3.6%
Other Amounts to be Raised	\$440,241,701	\$484,597,780	\$44,356,079	10.1%
Cherry Sheet Assessments	\$727,102,368	\$774,961,704	\$47,859,336	6.6%
Overlay	\$190,685,232	\$195,988,129	\$5,302,897	2.8%
Total Amount to be Raised	\$24,341,195,684	\$25,277,500,652	\$936,304,968	3.8%

Source: Division of Local Services Municipal Databank

From FY2014 to FY2015, the total of appropriations from all revenue sources increased by \$838.8 million, or 3.6%, from \$23 billion to \$23.8 billion. Appropriations accounted for about 94% of the total amount to be raised in each year.

Other Amounts to be Raised increased by \$44.4 million, or 10.1%, from \$440.2 million to \$484.6 million. Other Amounts to be Raised accounted for the greatest percentage increase of all categories mainly due to two factors: a \$17 million increase attributable to the City of Boston and an \$8 million increase to FY2014 city and town snow and ice deficits being raised in FY2015.

The Total Amount to be Raised increased by \$936.3 million, or 3.8%, from about \$24.3 billion to \$25.3 billion.

Estimated Receipts and Available Fund Sources

A.) State Estimated Receipts

Generally, state receipts are recorded in the general fund and categorized on the Recap as:

- Cherry Sheet estimated receipts
- Massachusetts School Building Authority

The Cherry Sheet provides the official notification from the Commissioner of Revenue of the upcoming fiscal year's estimated State disbursements, reimbursements and offsets to cities, towns and regional school districts. Unlike disbursements and reimbursements, offsets are accounted for in a special revenue fund because their uses are restricted. Cherry Sheet receipts are considered estimates since some final line-item amounts are

calculated using data determined during the fiscal year.

The five highest disbursement and reimbursement categories for FY2015 cities and towns (not including regional school districts) were:

- Chapter 70, \$3.7 billion
- Unrestricted General Government Aid, \$945.8 million
- Charter Tuition Reimbursement, \$77 million
- Veterans Benefits, \$50.3 million
- School Choice Receiving Tuition, \$45.5 million

The Massachusetts School Building Authority (MSBA) is a quasi-public authority that reimburses cities, towns and regional school districts for the state's share of school construction and renovation. Projects funded prior to July 2004 receive annual MSBA payments to offset related debt service through the life of the loan. For FY2014 and FY2015, cities and towns were distributed \$202.9 million and \$192.5 million respectively. Projects funded after July 2004 receive progress payments on a pay-as-you-go basis.

B.) Local Estimated Receipts

Local estimated receipts are locally generated and do not include property taxes. Estimates for these are based upon actual receipt figures from the prior fiscal year, but they may be greater if reasonable in amount and if approved by the Director of Accounts. They are categorized on the Recap as:

- Local receipts not allocated
- Offset receipts
- Enterprise fund
- Community preservation fund

Local receipts not allocated are categorized by 23 types. Most often the greatest of these is the motor vehicle excise tax, followed by charges for services, fees, permits, licenses, and other excises. These receipts are accounted for in the entity's general fund.

Offset receipts ([MGL Ch. 44, Sec. 53E](#)), accepted by local option, are departmental receipts collected during the fiscal year to defray a program's cost. Any surplus remaining as of June 30th must close to the general fund, and any deficit as of June 30th must be provided for on the next tax rate. [IGR 82-01](#)

Enterprise funds ([MGL Ch. 44, Sec. 53F 1/2](#)) establish a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services. An enterprise fund may be adopted only by a city or town and only for particular purposes allowed by law. Its receipts, such as user charges and fees, betterments, special assessments and investment income, may be appropriated until the tax rate is certified. After that, only the enterprise's available funds, such as retained earnings, may be appropriated through June 30th for that fiscal

year's expenses. [IGR 08-101](#)

Community Preservation fund receipts, such as the tax surcharge, state trust fund distribution and interest from investments, support a community preservation program. The Community Preservation law may be adopted by the local legislative body and referendum, and appropriations from the community preservation fund have neither a positive nor a negative effect upon the tax levy. [\(MGL Ch. 44B\)](#)

C.) Available Fund Sources

Available funds are available balances that represent nonrecurring revenue sources often appropriated to fund unforeseen expenses, capital expenditures and other one-time costs. Examples of these include free cash, stabilization funds, overlay surplus, and water surplus. Free cash is an available fund that must have its balance certified annually by the Bureau of Accounts for an appropriation to be properly voted from it.

Available funds are categorized on the Recap as:

- Free cash
- Other available funds

D.) Other revenue sources appropriated specifically to reduce the tax rate

Other revenue sources may be voted to specifically reduce the tax rate by the entity's legislative body. Free cash is the source that appears most often. Municipal light surplus, sometimes an estimated receipt, may be appropriated specifically to reduce the tax rate. Teachers' pay deferral requires special legislation and is reported here to offset in large part the authorized deferral of teachers' pay to be raised, which will establish the amount amortized for the fiscal year. Other revenue sources are categorized on the Recap as:

- Free cash
- Municipal light surplus
- Teachers' pay deferral (requires special legislation)
- Other

E.) The Property Tax Levy

The property tax levy is the revenue a city or town raises through the taxation of real and personal property. It is the largest of all revenue sources and is calculated as:

$$\begin{array}{r} \text{Appropriations and other amounts to be raised} \\ - \text{Estimated receipts and available funds} \\ \hline = \text{Tax Levy} \end{array}$$

The tax levy cannot exceed the property tax levy limit calculated under the

provisions of Proposition 21/2. ([City & Town, June, July and August, 2014](#))

F.) The Results

Municipal Estimated Receipts, Available Fund Sources and Tax Levy				
	FY2014	FY2015	\$ Inc.	% Inc.
Estimated Receipts - State	\$4,995,637,178	\$5,110,885,751	\$115,248,573	2.3%
Local Estimated Receipts	\$4,265,648,068	\$4,484,571,325	\$218,923,257	5.1%
Available Funds	\$1,105,577,745	\$1,128,547,025	\$22,969,280	2.1%
Tax Levy	\$13,974,332,693	\$14,553,496,551	\$579,163,858	4.1%
Total Estimated Receipts, Available Funds and Tax Levy	\$24,341,195,684	\$25,277,500,652	\$936,304,968	3.8%

Source: Division of Local Services Municipal Databank

From FY2014 to FY2015, local estimated receipts increased by \$218.9 million, or 5.1%, from \$4.3 billion to \$4.5 billion. This category accounted for the greatest percentage increase of all categories.

The tax levy increased by about \$579.2 million, or 4.1%, from \$14 billion to \$14.6 billion. The tax levy accounted for about 57% of total municipal revenues.

Conclusion

When both needs (appropriations and other amounts to be raised) and sources of funding (estimated receipts, available fund sources and tax levy) calculate to a zero balance, a budget is said to be balanced for the fiscal year. Provided the Bureau of Accounts agrees with this balance and the Bureau of Local Assessment approves the assessed values, the tax rate(s) may be certified by the Bureau of Accounts, and actual tax bills can be issued by the local tax collectors to property taxpayers.

Updated List of BOA Field Reps by Community Now Available

Bureau of Accounts

The Division of Local Services has released [Bulletin 2015-14B: Post Early Retirement Update](#). This bulletin provides local officials with the names of their Bureau of Accounts field representative for the remainder of the calendar year, as well as that representative's office location and contact information. The full list can be found by clicking [here](#).

Public Disclosure Reminders for Certification Communities

Tom Dawley - Bureau of Local Assessment Field Representative

For certification communities, a comprehensive and formal notice must appear in the general circulation within the community and be posted on the municipality's website, in the local newspaper, or both for a minimum five (5) business days following the date of publication. When posting to the community's website, the notice should appear conspicuously on the municipality's home page, not just the assessor's page. This notice is not required to be a paid legal notice, and copies of the notice will need to be uploaded into DOR's Gateway under the "Cert Tab" in the LA10 section.

For communities with a significant number of non-resident taxpayers, it is permissible to send mail or email impact notices. It should be noted that when sending impact notices via email, communities are still required to submit a copy of the public information release from the local newspaper or on the municipality's website. If there are any questions, please contact your certification advisor or email bladata@dor.state.ma.us.

Last Chance to Register for "What's New in Municipal Law"

The Division of Local Services Legal Staff will offer its annual seminar "What's New in Municipal Law" for local officials on Thursday, October 1st, 2015 at The Log Cabin Banquet & Meeting House in Holyoke and Thursday, October 8th, 2015 at The Lantana in Randolph.

The general session in the morning will review new legislation and recent court decisions pertaining to local government.

The afternoon session will consist of three concurrent workshops on the following topics: (1) assessing condominiums, including undeclared units built on the common area, and timeshares; collecting outstanding taxes and charges, particularly personal property taxes and other receivables for which no lien exists; (2) adopting and amending municipal operating and capital budgets, including appropriations and borrowings contingent on overrides and exclusions; and (3) negotiating and funding employment benefits payable after retirement.

Please click the following for the [agenda](#) and [registration form](#). Registrations must be received by Wednesday, September 23rd, 2015. Preregistration is required. The Massachusetts Association of Assessing Officers (MAAO) will grant four (4) hours of continuing education credits to assessors attending this program.

If you have any questions about these seminars, please contact DLS Training Coordinator Donna Quinn at 617-626-3838 or by email at dlsregistration@dor.state.ma.us.

OSD: Two Upcoming September Events

Operational Services Division

Webinar: E-Rate Program and Statewide Contracts for Schools and Libraries - September 22nd, 2015

In anticipation of the Federal Communication Commission's E-Rate Program that helps schools and libraries cover a portion of the cost of telecommunications services, OSD is hosting a one-hour webinar for those interested in learning how statewide contracts support E-Rate Program participation. E-Rate eligible IT and telecommunications products and services are available on a number of statewide contracts. The webinar is free and open to all interested organizations. Register at www.eratewebinar.eventbrite.com.

Kickoff Event for Statewide Contract FAC85: Environmentally Preferable Cleaning Products (EPPs), Programs, Equipment and Supplies - September 25rd, 2015

Designed for purchasing and procurement officials and the environmentally conscious, this event aims to connect the buyer and seller communities to allow for a better understanding on the effectiveness of green cleaning. Hear buyer testimonials, access resources to transition to a green cleaning program, and get tips for purchasing from FAC85 in COMMBUYS. If you purchase green cleaning products or supplies, be sure to attend. Hosted by OSD, the event takes place at the Transportation Building, located at 10 Park Plaza in Boston. Check-in begins at 11:00 am. Register at www.fac85.eventbrite.com.

To learn more about OSD, visit the website at www.mass.gov/osd. For questions about either event, email osd-events@state.ma.us

September Municipal Calendar

September 15

Accountant/ Assessors

Jointly Submit Community Preservation Surcharge Report

This report (CP-1) is a statement of the prior year's net Community Preservation Surcharge levy, and is used to distribute state matching funds on November 15.

September 15	Local Reporting Officers	Submit Smart Growth School Cost Reimbursement Report to DLS Local Reporting Officers report (a) local smart growth property tax and excise tax revenue for prior fiscal year or (b) municipality's waiver of reimbursement.
September 30	Municipal and District Treasurer/Collector	Submit Compensating Balance Report If compensating balance accounts were maintained during the prior fiscal year, a report and account analysis schedules must be submitted to DOR.
September 30	Accountant/ Superintendent/ School Committee	Jointly Submit End of Year Report to the DESE Schedule 1 - determines compliance with prior year Net School Spending requirement. Schedule 19 - determines compliance with current year Net School Spending requirement.
September 30	Accountant	Submit Snow and Ice Report This report is a statement of snow and ice expenditures and financing sources.
September 30	Treasurer	Year-End Cash for the Previous Fiscal Year (due upon submission of a balance sheet for free cash/excess and deficiency certification) A reconciliation is the process of comparing the Treasurer's accounts to the Accountant's/ Auditor's or Schools Business Manager's ledger balance to determine if they are

		<p>consistent, and for the officials to make any necessary corrections. When the reconciliation is complete, the Accountant/Auditor/School Business Manager should indicate agreement with the Treasurer's balances. Reconciliations are required annually, but communities and school districts should reconcile monthly for their own purposes. The year-end report as of June 30 must be completed and returned to DOR. Municipalities and school districts should also use monthly reports to monitor cash practices of the Treasurer's office. If the Accountant/Auditor/School Business Manager and Treasurer are not consistently reconciling cash accounts, or if the reconciliations indicate variances, the Mayor, Selectmen or School Committee should inquire as to the reasons.</p>
September 30	Treasurer	<p>Submit Statement of Indebtedness</p> <p>MGL Ch. 44, Sec. 28 requires the Director of Accounts to maintain complete and accurate records of indebtedness by cities, towns and districts. This statute also requires Treasurers to furnish any other information requested by the Director in respect to the authorization and issuance of loans. This Statement is the annual report required from Treasurers to accomplish this purpose. Treasurers should reconcile their debt records with the Accountant/Auditor before filing</p>

		the Statement of Indebtedness to ensure that the Statement and balance sheet are in agreement.
Final Day of Each Month	State Treasurer	Notification of monthly local aid distribution. Click www.mass.gov/treasury/cash-management to view distribution breakdown.

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